



THE **Rawlins** NATIONAL BANK

MEMBER FDIC

March 23, 2004

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Ave., NW
Washington, DC 20551

Re: Docket No. R-1181

Proposed Revisions to the community Reinvestment Act Regulations

Dear Ms. Johnson,

I am writing to support the federal bank regulatory agencies' (Agencies) **proposal** to enlarge the number of **banks** and saving associations that will be examined **under** the small institution Community Reinvestment Act (CRA) examination. The **Agencies** propose to increase the asset threshold from \$250 million to \$500 million **and** to eliminate any **consideration** of whether the small institution **is** owned by a holding company. This proposal is clearly a major **step** towards an appropriate implementation of the **Community Reinvestment Act** and I support it. However, **I do not** feel the proposed increase goes quite **far** enough.

When the CRA regulations were rewritten in 1995, the banking industry recommended that community banks of at least \$500 million be eligible for a less burdensome **small** institution examination. This was certainly a step in the right direction. **Since** 1995, the regulatory **burden** on small banks has only grown larger, including massive new reporting requirements **under** HMDA, the USA Patriot **Act** and the privacy provisions of the Gramm-Leach-Bliley Act. However, the nature of **community** banks **has** not changed. When a community bank must comply with the requirements of the **large** institution CRA examination, **the costs** to and burdens **on** that community bank increase dramatically. In looking at **my** community bank, converting to the large institution examination most importantly requires that **we** devote additional staff time to documenting services and investments, which we currently **do** not do, and **begin** to geocode all of our loans that **might have** CRA value. This imposes a dramatically higher regulatory burden that **drains both** money and personnel **away from** helping **to** meet the credit **needs** of **my** institution's **community**.

Our community **bank** is **typically** non-complex; it **takes** deposits and makes loans. **Its** business activities are usually focused on small, **defined** geographic areas **where the bank is** known in the community. The **small** institution examination accurately **captures** the information necessary for examiners to assess whether a community bank is helping to meet the **credit** needs of its community, and nothing **more is** required to satisfy the **Act**. **Therefore, I do not feel** that **this** increased **regulatory** burden is warranted.

As ~~the~~ Agencies ~~state~~ in their proposal, raising the small institution CRA examination threshold to \$500 million makes numerically more community banks eligible. However, in reality raising the asset threshold to \$500 million and eliminating ~~the~~ holding company limitation would retain the percentage ~~of~~ industry assets subject to the large ~~retail~~ institution test.

The small institution test was the most **significant** improvement of the revised CRA , but it was wrong to limit its application to only banks below \$250 million in assets, depriving many community banks from any regulatory relief. In today's banking market, even a \$500 million bank often has only a handful of branches. I recommend raising the asset threshold for the small institution examination to at least \$1 billion. Raising the limit to \$1 billion is appropriate for **two** reasons. First, keeping the focus of small institutions ~~on~~ lending, which the small institution examination does, would be entirely consistent with the purpose of the Community Reinvestment Act.

Second, according to the Agencies' own findings, raising the limit from \$250 to \$500 million would reduce total industry assets covered by the large bank test by **less** than one percent. Call Report data of December, 2003, shows that raising the limit to \$1 billion will reduce the amount ~~of~~ assets **subject** to the much more burdensome large institution test by only 4% (to about 85%). Yet, the additional relief provided would, again, be substantial, reducing the compliance burden on more than 500 additional banks and savings associations (compared to a \$500 million limit). Accordingly, I urge the Agencies to raise the limit to at least \$1 billion, providing significant regulatory relief while not diminishing the obligation of **all** insured depository institutions subject to CRA to help meet the credit needs of their communities.

In **conclusion**, I **strongly** support increasing the asset-size of banks eligible for ~~the~~ small bank streamlined CRA examination process as a vitally important step in revising and improving the CRA regulations and in reducing **regulatory** burden. I also support eliminating the separate holding company qualification for the small institution examination, since it places small community banks that are part of a larger **holding** company at a disadvantage to their peers and has no legal basis in the Act. While community banks, of course, **still** will be examined **under** CRA for their record of helping to meet ~~the~~ credit needs of their communities, this change will eliminate some of the most problematic and burdensome elements of the current CRA regulation from **community** banks that are drowning in regulatory red-tape.

Sincerely,



Richard Chenoweth
President

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